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FISCAL IMPACT STATEMENT

LS 6292

BILL NUMBER: SB 78

NOTE PREPARED: Jan 24, 2006

BILL AMENDED: Jan 23, 2006

SUBJECT: Property Tax Deduction for Farm Security Items.

FIRST AUTHOR: Sen. Heinold

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides a property tax deduction not to exceed \$50,000 in assessed value (AV) per year relating to secure storage of fertilizers and pesticides that could be used for terrorism or illegal drug manufacturing. The bill specifies that the deduction is available for certain chemical additives and for tangible personal property that is (1) installed or placed in service after March 15, 2006; and (2) is used for the purpose of providing security for a fertilizer or pesticide by (A) restricting access to or control of; or (B) conducting surveillance on or detecting unauthorized access to the fertilizer or pesticide.

The bill also provides that in addition to a certified application statement, a person claiming the deduction must file a certification by the State Chemist that the property for which the deduction is claimed has been installed or placed in service. The bill specifies that a person may not receive the deduction for security devices and the "automatic abatement deduction" for the same property.

Effective Date: (Amended) Upon passage.

Explanation of State Expenditures: (Revised) *Department of Local Government Finance (DLGF)*. To obtain the deduction, a person must file a certified statement on forms prescribed by the DLGF. The DLGF should be able to prescribe forms given its existing level of budget and resources.

State Chemist's Office. This bill provides a property tax deduction for (1) for fences that are installed after March 15, 2006, and used for providing security for a fertilizer or pesticide that are subject to the rules of the State Chemist. Other tangible personal property installed as well as the AV of a chemical added to deter the theft of a fertilizer or pesticide could also qualify. Individuals who comply with the State Chemist's rules

receive a certificate of compliance. The total deduction may not exceed \$50,000. According to the State Chemist, since 1992, approximately 155 certificates have been issued. The bill could result in increased demand for the certificates; however, the State Chemist's Office should be able to process any new certificates with existing staff.

Explanation of State Revenues: The proposal could result in additional property tax deductions. Property tax deductions exclude property from the property tax base. The state levies a small tax rate for the State Fair and State Forestry that applies to all assessed value. If property is not a part of the tax base, the state can not assess this tax on the property. Any decrease in the AV base as a result of deductions reduces the property tax revenue collected for these two funds.

Explanation of Local Expenditures: (Revised) To obtain the deduction, a person must file a certified statement with the county auditor. In addition to the certified statement, the person must file the certification by the State Chemist that the property for which the deduction is claimed has been installed or placed in service. Upon the verification of the statement by the township assessor in which the property is subject to assessment, the county auditor must allow the deduction. These provisions will increase administrative expenses for the township and the county. It is presumed that the local units will be able to cover any additional expenses given their existing levels of budgets and resources.

Explanation of Local Revenues: (Revised) The bill provides that a person is entitled to a an annual property tax deduction in AV for certain security devices used to deter the theft of a fertilizer or pesticide. A person that qualifies for a deduction for a year under this provision may not also apply for an investment deduction under IC 6-1.1-12.4. The bill applies to property taxes first due and payable after December 31, 2006. The total annual deduction for an individual may not exceed \$50,000 in AV.

This proposal may result in an increase in deductions claimed. Additional deductions reduce the AV tax base. This reduction causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. The amount of the deduction is indeterminable. Total local revenues would not be affected, except that the revenue in rate-controlled funds would be reduced.

State Agencies Affected: DLGF, State Fair, and State Forestry.

Local Agencies Affected: All.

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